

Service Quality influence on Customer Satisfaction in Case of Mongolia Hotel Service

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ABSTRACT: *In the recent years, Service quality is a vital factor in customer satisfaction in the hotel industry, because high service quality produces high customer satisfaction. In addition, Customer satisfaction is the difference between service delivery and customer perception. If the quality doesn't meet their perception, the customer has low satisfaction. The satisfaction is used to measure customer loyalty, increase revenue and reduce churn. In addition, it is essential to attract new customers and differentiate in the competitive market. Therefore, the research study focus to determine the relationship of service quality and customer satisfaction in the case of Mongolian Hotels. The study based on the SERVQUAL model which include 5 dimensions or 23 items. The survey was gathered from 322 respondents in 5 hotels with 3 stars. Research findings show that all of SERVQUAL dimensions have positive relationship but Tangibles, Reliability, Responsiveness has highest positive affect on customer satisfaction.*

KEYWORDS: *service quality, customer satisfaction, the hotel industry*

I. INTRODUCTION

In the current era, the Business environment is more competitive ever before. The firms need to maintain and increase the service quality continuously for sustainable business growth. The firm's sustainable growth depends on meeting customer's demands and needs. First of all, Manufacturing firms paid attention for the quality since 1980 so on the topic was most popular used in the service industry. Drucker (1973) stated customers with high satisfaction are a key factor of business and, if the firms provide service with high quality for them, customers will be more satisfied. It means service quality directly positive effect on the customer satisfaction which increases repurchasing or customer loyalty. In the case of delivering services that meet customer demands, Customers become more favorable to the firms, also they spread positive word-of-mouth within familiar range (Jaworski & Kohli, 1990). Some financial research study suggests that when increases customer satisfaction rate by just 5 percent, it possible to grow firm's profits from 30 to 70 percents (Sasser and Reichheld, 1990). It implies the satisfaction is a key point on profit growth. In the recent years, Hotel industry of Mongolia has rapid growth by cause of International Travelers. For meeting their demand and attracting them, Hotels are competing strongly for high service quality. As of today, 532 hotels operate in Mongolia and 70% of them locates in Ulaanbaatar city. It means competition is high among placed hotels in the capital city, as well as hotel managers always face customer transition problems. Past research studies recognized the importance of service quality on customer satisfaction in Hotel industry but the topic was investigated most popular in other countries than Mongolia. To fulfill this gap, Thus, research study focused to measure customer satisfaction and service quality of hotels in Ulaanbaatar.

II. LITERATURE REVIEW

Service Quality: Service quality is consumer measurement which how well a provided service for consumer expectations. According to Parasuraman (1988), Service quality is defined as a service meeting on customer expectation. In another word, it is a deviation between perceived service and customer expectations. The quality possible to be different depends on the individual's needs and demands. It means provided services meets, exceeds or fails for customer expectations (Taylor & Cronin, 1992; Parasuraman & Berry; 1993). According to Czepiel (1990) defined, The service quality is the difference between service performance and customer expectations. Previous research literature recognizes the service quality is a vital factor on customer satisfaction (Machoy and Spreng, 1996) and it possible to make differentiation or competitive advantage compared to competitors (Gray and Boshoff, 2004). Turban (2002) defined that customers prefer service quality when competitors have the same price and other cost elements. Generally, consumers don't know detailed information about technical activity and elements of service, therefore, functional quality becomes the main impact which measures service quality for

consumers (Donabedian, 1982). According to Ekinici (2003) stated that customer satisfaction depends on the measurement of service quality. Wilkins (2007) suggested the quality directly increase customer satisfaction, repurchasing behavior as well as secure long-term profit in firms. In order to evaluate service quality, service firms need to measure customer satisfaction continuously (Prayuhda & Harsanto, 2014).

SERVQUAL model : The model is most popular used to measure consumer expectations related to service quality. First of all, Parasuraman (1991) introduced the SERVQUAL instrument and has been used in multiple industries to measure service quality. The model consists of Reliability, Assurance, Tangibles, Empathy and Responsiveness dimensions and measurement process of SERVQUAL is performed by providing scores for each dimension. Reliability is defined as the capacity to provide the promised service accurately and dependably (Kandampully, 2007). In another word, the reliability is to provide the promised service accurately and dependably (Zeithaml, 2006). Assurance is an employee's ability to convey confidence, trust, and courtesy (Kandampully 2007). According to Zeithaml (2006), it is the courtesy and knowledge of the worker as well as the ability to inspire confidence and trust. Tangibles are physical elements which include advertisement materials, equipment, and facilities (Seo, 2012). Empathy is an employee's special attention for customers (Kandampully, 2007) and an essential part of service quality since the relationship is produced between customer and employee. Responsiveness is the willingness to help consumers in prompt service. According to (Harsanto & Prayuhda, 2014), it is the employee's wishes to be quick and supportive for service.

Customer Satisfaction; The satisfaction is an evaluation or attitude of the consumer about service or product (Oliver, 1980). According to Kotler (2000), customer satisfaction is an individual's pleasure feelings or results of customer comparison between performance and expectation. In additionally, The satisfaction is the result of psychological reactions and evaluation based on own experience with a service/ product (Yi, 1990). The satisfaction is a key factor to measure service quality as well as the direct effect on business performance (Morgan & Mittal, 2005). Most researches in hotel industry mentioned the importance of the satisfaction because it is an integral part of a hotel's value position (Maghzi, 2011).

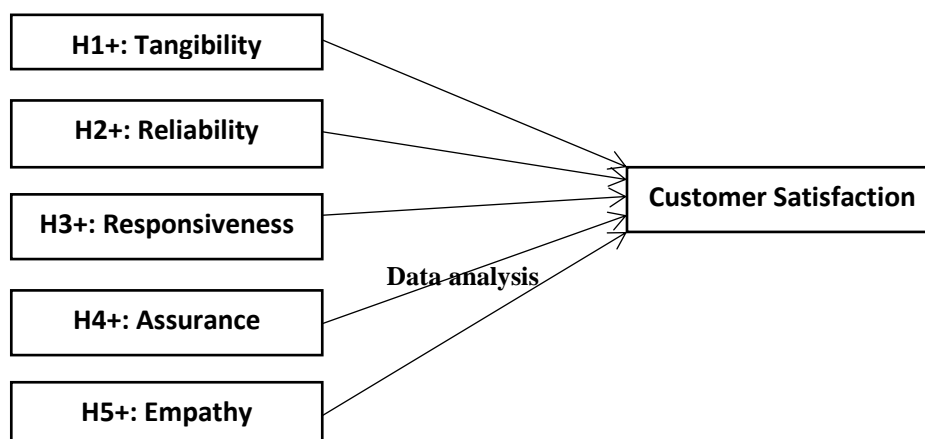
Relationship of Service Quality and Customer Satisfaction: Customer satisfaction is directly affected by service quality and depends on the ratio between purchaser's perception and service performance. In case that service performance exceeds assumption, the consumer will be highly delighted or satisfied (Kotler & Armstrong, 2006). It means the quality has a positive relationship with the satisfaction. In addition, An unsatisfied customers share their negative idea of service to 20 people in familiar range and therefore, companies need to care providing dissatisfaction for customers. Kuo (2009) made research in the service industry, the result showed customer with a higher satisfaction has stronger repurchase intention and more suggest the service into familiar range. In addition, purchasing intention will be higher in the case of consumer satisfaction is higher. It means service quality direct and indirect positive effect on customer satisfaction. They concluded that service quality improvement not based on customer needs can't improve customer satisfaction and not all quality improvement can't be essential for the satisfaction. Thus, Right defining the quality's dimensions is a most essential factor in the beneficial improvement of customer satisfaction (Kim & yang, 2004).

III. DATA AND METHODOLOGY

For research study, primary data were collected from customers of 5 three-star hotels in Ulaanbaatar city. The city has 1.3 million or highest population compared to other cities in Mongolia and there is high customer shift. Questionnaire design has 34 questions which measure service quality dimensions and customer satisfaction for hotels. 352 customers participated in the survey and 30 customers were rejected by reason of unqualified filling. Finally, data of 322 respondents was planned to use in research. Most of the questions based on a 5-point Likert scale which express 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), 5 (strongly agree). In order to analyze, SPSS 21 software was used and made Descriptive statistics, Reliability test, Correlation, and Regression analysis.

Research framework: The framework design has been produced using previous literature and possible to easily understand proposed hypothesizes. In the framework, Depend variables were defined SERVQUAL dimensions which include Tangibility, Reliability, Responsiveness, Assurance, Empathy and Independent variable is Customer Satisfaction. Previous literature approved SERVQUAL dimensions has a positive relationship with Customer satisfaction and, therefore, the below framework was drawn by Picture 1.

Picture 1: Conceptual framework



Demographic information: The demographic shows statistical information of respondents, such as gender, age, education, salary. Below Table1 demonstrates demographic information of respondents. In the statistical result, Male respondents are 58% or higher compared to females as well as people aged 20-29 are dominant. In addition, 75% of respondents have a bachelor and master degree, 51% has 500,000¥-1100,000¥ monthly income.

Table 1: Demographic of Respondents

Gender	Male	58%
	Female	42%
Age	20-24	32%
	25-29	28%
	30-34	18%
	35-39	12%
	40-44	8%
	45 >	2%
Education	High school	9%
	Bachelor	42%
	Master	34%
	Doctor	15%
Salary	500¥<	16%
	501¥-800¥	39%
	801-1100¥	18%
	1101-1400¥	13%
	1400¥>	14%

Reliability Analysis : It helps to assess the goodness of step and indicates accuracy. This research uses the popular test of inter-item consistency reliability that will be the coefficient of the Cronbach alpha. Cronbach's alpha is a measure of internal consistency, that is, just how closely related a set of items are as a set (UCLA, 2012). The Cronbach's value deploys between 0 and 1. In case that value is near to 1, data has high internal consistency. Otherwise, if the value is near to 0, data has lower reliability or can't possible to use for research. In the below table, Cronbach's alpha is 0.783. It means the overall reliability of data is most comfortable for data analysis.

Table 2: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.783	.764	322

Table 2 shows the reliability results of each dimension and customer satisfaction. Most of the results are higher than 0.7 and it means each variable in acceptable levels.

Table 3: Reliability Statistics of each item

Variables	Cronbach's alpha	Items
Tangibility	0.856	4
Reliability	0.687	3
Responsiveness	0.724	5
Assurance	0.738	4
Empathy	0.722	5
Customer satisfaction	0.812	4

IV. CORRELATION ANALYSIS

The analysis is used to measure the linear relationship between the independent and dependent variables. The correlation result shows each dimension have a positive relationship with customer satisfaction. In addition, Tangibility ($r=0.452$, $p<0.05$), Reliability ($r=0.672$, $p<0.01$), Responsiveness ($r=0.715$, $p<0.05$) have highest positive relationship with customer satisfaction compared to Assurance ($r=0.364$, $p<0.05$) and Empathy ($r=0.218$, $p<0.05$).

Table 4: Result of Correlation Analysis

	TANG	RELI	RESP	ASSU	EMP	SATI
Tangibility	1					
Reliability	.452	1				
Responsiveness	.532*	.354*	1			
Assurance	.382**	.281**	.476*	1		
Empathy	.642**	.467**	.322*	.516**	1	
Customer satisfaction	.456*	.672**	.715*	.364*	.218*	1

** . significant at the 0.01 level (2-tailed).

*. significant at the 0.05 level (2-tailed).

Regression Analysis : Regression analysis defines the average mathematical relationship between two or more variables. In addition, the result of the analysis is expressed by R square which shows how the data is near to the regression line. Below table shows a model summary and adjusted R square 0.622 ($R^2=.647$). It means that the model explained 64.7 percent of the variance.

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.681 ^a	.647	.622	.654982

In the below table, Betta Coefficients are positive and it means service quality dimensions has a positive relationship with customer satisfaction. From the regression analyse, The following outputs have been produced: Tangibles ($\beta=.468$, $p < 0.01$), Reliability ($\beta=.572$, $p < 0.05$), Responsiveness ($\beta=.428$, $p < 0.01$), Assurance ($\beta=.202$, $p < 0.05$), Empathy ($\beta=.326$, $p < 0.05$). In the previous correlation analysis, Tangibles, Reliability, Responsiveness dimensions have a highest positive relationship with customer satisfaction and regression result

was same as. Therefore, result approved our proposed hypothesis and Tangibles, Reliability, Responsiveness are most essential on Mongolia customer satisfaction for the hotel industry.

Table 6: Regression coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.468	.186		14.292	.034
1 TANG	.628	.394	.594	13.572	.009
RELI	.572	.568	.531	10.661	.012
RESP	.428	.786	.413	8.981	.000
ASSU	.202	.621	.179	12.752	.047
EMP	.326	.822	.298	18.978	.022

Table 7: Hypothesis result

Hypothesis	Status
H1: Tangibles highest positive relationship with Customer Satisfaction	Supported
H2: Reliability highest positive relationship with Customer Satisfaction	Supported
H3: Responsiveness highest positive relationship with Customer Satisfaction	Supported
H4: Assurance positive relationship with Customer Satisfaction	Supported
H5: Empathy positive relationship with Customer Satisfaction	Supported

V. CONCLUSION

In the recent years, Mongolian hospitality industry has extraordinary growth ever before. Especially, Ulaanbaatar city is a dominant market and there is a higher customer shift compared to other locations. The research investigated the relationship of service quality and customer satisfaction in case of hotels with 3 stars in Ulaanbaatar. The result showed Tangibles, Reliability, Responsiveness in Hotels are a most important factor on customer satisfaction for Mongolians. Thus, Mongolian hotel managers need to focus internal/ external appearance, providing accurate and dependable services, employee's attitude to increase the satisfaction.

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